



Department of Veterans Affairs

Financial Policy

Volume XII

Debt Management

Chapter 8

Notice of

Indebtedness

Approved:

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Assistant Secretary for Management
and Chief Financial Officer

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0801 Overview

This chapter establishes the Department of Veterans Affairs' (VA) financial policy relating to collection actions taken to recover monies owed to the VA.

Key points covered in this chapter:

- VA will actively pursue the collection of all debts while ensuring the debtor is advised of their due process rights regarding the nature and amount of the debt through the issuance of a proper Notice of Indebtedness (NOI), also known as a demand letter;
- A NOI should contain certain data elements such as the amount of the debt, response timelines, and the debtor's due process rights;
- VA will suspend collection actions on a debt if the debtor disputes the debt or requests a waiver within the time period specified in the NOI; and,
- Outstanding debt will be referred for collection, including enforced collection if the debtor does not respond timely to a NOI.

0802 Revisions

Section	Revision	Office	Reason for Change	Effective Date
All	New Chapter	OFP (047G)	Provide policy on notice of indebtedness	February 2021

0803 Definitions

Administrative Costs – Administrative costs are the average costs incurred for processing and handling delinquent debts. Administrative costs are recalculated and updated annually by VA.

Compromise – Governed by 31 U.S.C. § 3711, a compromise is an offer and acceptance of partial payment in settlement and satisfaction of the offeror's indebtedness as it exists at the time the offer is made. It is a final settlement, binding on the parties to the compromise unless procured by fraud, misrepresentation of a material fact, or mutual mistake of fact.

Debt Collection – The process of pursuing repayment of a debt owed to VA.

Delinquency Notice – Notification of a past due debt.

Dispute – Right of a debtor to contest the legitimacy of a debt, both as to the existence and the amount.

Due Process – Providing debtors with notice of intended debt collection actions and the opportunity to dispute the debt or amount, request a waiver when applicable, or negotiate a compromise of the debt.

Enforced Collection – The referral of a delinquent debt to Office of General Counsel (OGC) or Department of Justice (DOJ) for collection by securing a judgment against the debtor through litigation.

Notice of Indebtedness (NOI) – Written communication sent by VA providing the debtor with notification of the existence and amount of the debt, payment remittance information, accrual of interest, penalties, and administrative costs, and due process rights. A NOI is sometimes referred to as a demand letter.

Suspension of Collection – Temporary delay of collection actions on a debt.

Termination of Collection Action – A decision, under the guidance of the Federal Claims Collection Standards 31 C.F.R. § 903, to cease active collection action on a debt when it appears that no person liable on the claim has the present or prospective ability to pay a significant amount of the claim or the cost of collecting the claim is likely to be more than the amount recovered.

Waiver – A decision that conditions exist which should result in cancellation, forgiveness, or non-recovery of a debt owed, including interest and other late payment charges assessed on such debts under the applicable statutes and implementing regulations 38 C.F.R. § 1.955 through 38 C.F.R. § 1.969.

0804 Roles and Responsibilities

Debt Management Center (DMC) is a franchise fund (fee-for-service) organization in VA. The DMC offers a wide range of debt management services including debt resolution activities, (waivers, compromises, etc.) and is responsible for debt referral to the Treasury Cross-Servicing program.

Chief of the Local Finance Activity is responsible for ensuring compliance with policies and procedures for VA's debt collection activities. Any reference to the Chief of the Local Finance Activity also includes the: Staff Office and Administration Chief Financial Officers, Director of the Debt Management Center (DMC), Director of the Financial Service Center (FSC) where appropriate, as well as Chief Fiscal Officers in VA Medical Centers, Chief Finance Officers in Regional Offices, and Chief Fiscal Officers in the Consolidated Patient Account Centers (CPAC).

0805 Policies

080501 General Policies

- A. Upon discovery of a debt, VA will establish a receivable in the system of record and a NOI will be sent. VA will ensure due process is afforded to all debtors by promptly notifying each debtor of their rights.
- B. VA will send the debtor a NOI as soon as possible after the accrual or establishment of a debt in accordance with 31 C.F.R. § 901.2. The written demand for payment should inform the debtor of the amount of the debt and the reason the debt occurred, the consequences of not resolving the debt and the debtor's due process rights. The specific content, timing, and number of letters sent to the debtor will depend on the type and amount of the debt as well as the debtor's actions.
- C. In accordance with 38 C.F.R. § 1.910, VA will take collection action on a timely basis, with effective follow-up, to collect all claims for money or property arising from its activities.

080502 NOI Content

- A. In accordance with 31 C.F.R. § 901.2, a NOI must include at a minimum the following information in order to be legally defensible:
 - 1. The amount of the debt;
 - 2. Reason the debt occurred and the time period or date of the debt;
 - 3. Debtor's right to a copy of the debt and supporting documents;
 - 4. Timeline for debtor to submit a dispute;
 - 5. Debtor's rights and the remedies available, as appropriate to the type of debt, such as the right to:
 - Dispute the existence or amount of a debt,
 - Request a waiver or a hearing,
 - Appeal a decision, or
 - Request a repayment plan;
 - 6. The name, address, and phone number of a contact person or office within the agency;
 - 7. The date by which payment should be made to avoid late charges and/or enforced collection;
 - 8. VA's intent to charge interest, administrative costs, and penalty charges as appropriate to the type of debt, should the debt become delinquent; and

9. VA's intent to refer the debt for enforced collection if no action is taken by the debtor.

NOI's may contain more information than the above but may not contain less. See Appendix A for a sample NOI

- B. In accordance with 38 C.F.R. § 1.910, generally only one demand letter is required, but follow up letters may become necessary, at 30-day intervals, if the debtor still has not made payment. If full payment has not been received or a repayment plan has not been established, the Chief of the Local Finance Activity will send follow-up NOIs (i.e., delinquency notices). Delinquency notices will contain the original debt amount along with any interest, administrative fees, and penalty charges that have accrued since the original NOI. Delinquency notices are sent every 30 days after original notification for as long as VA is pursuing collection of the debt. For more information on interest, administrative costs and penalty charges, refer to VA Financial Policy Volume XII, Chapter 9 – Interest, Administrative Costs and Penalty Charges.
- C. VA will not send delinquency notices when a determination is made that it is not cost effective to continue collection activities. For more information on terminating collecting actions, refer to VA Financial Policy Volume XII, Chapter 13 – Termination of Collection Action, Write Off, Debt Close Out, and Reporting Discharge of Debt to IRS.
- D. VA will maintain copies of all NOIs and delinquency letters or be able to provide evidence from a VA system that these letters were sent.
- E. All requests for waivers or compromises will be forwarded to the appropriate Committee on Waivers and Compromises (COWC) or deciding official. For more information on waivers and compromises, refer to VA Financial Policy Volume XII, Chapter 11 – Committee on Waivers and Compromises (COWC) with Subchapters A-E.

080503 NOI Response

- A. In accordance with 38 C.F.R. § 1.941, and 31 C.F.R. § 903.2, if the debtor notifies the VA in writing within the time period specified in the NOI, that any portion of the debt, is disputed, or requests a waiver, VA shall suspend collection activity related to the debt until the dispute is settled or a waiver decision is made. For more information on suspensions, refer to Chapter 12 – Suspension of Debt Collection.
- B. If the debtor does not respond to the original NOI or delinquency notices, VA will refer the debt for collection, including enforced collection when appropriate. For more information on enforced collection, refer to VA Financial Policy Volume XII,

Chapter 15 – Treasury Offset Program and Treasury Cross Servicing and Referrals for Enforced Collection (Litigation).

0806 Authorities and References

[5 U.S.C. § 5584, Claims for overpayment of pay and allowances, and of travel, transportation and relocation expenses and allowances](#)

[31 C.F.R. Part 901, Standards for the Administrative Collection of Claims](#)

[31 C.F.R. Part 903, Standards for Suspending or Terminating Collection Activity](#)

[31 U.S.C. § 3711, Collection and compromise](#)

[38 C.F.R. §§ 1.910-1.929, Standards for Collection of Claims](#)

[38 C.F.R. § 1.941, Suspension of collection activity](#)

[38 C.F.R. §§ 1.950-1.970, Referrals to GAO, Department of Justice, or IRS](#)

[38 C.F.R. § 17.105, Waivers](#)

[38 U.S.C. § 5302, Waiver of recovery of claims by the United States](#)

[Department of Veterans Affairs Forms](#)

<https://www.pay.va.gov/>

0807 Rescissions


None

0808 Questions

Questions concerning these financial policies should be directed as follows:

VHA	VHA CFO Accounting Policy (10A3A) (Outlook)
VBA	VAVBAWAS/CO/OPERATIONS (Outlook)
DMC	VAVBASPL/DMC/BDEV (Outlook)
All Others	OFP Accounting Policy (Outlook)

Appendix A: Sample Notice of Indebtedness Letters



DEPARTMENT OF VETERANS AFFAIRS
Debt Management Center
Bishop Henry Whipple Federal Building
P.O. Box 11930
St Paul, MN 55111-0930

101 Letter- 1st NOI
active benefits

File Number: _____
Payee Number: _____
Person Entitled: _____
Deduction Code: _____
Questions? <https://iris.custhelp.va.gov/app/ask/>
(Please provide the information above on any IRS correspondence)


The Department of Veterans Affairs recently sent you a letter explaining that your entitlement to benefits had changed. As a result, you were paid \$ more than you were entitled to receive. Since you are currently receiving VA benefits, we plan to withhold those benefits until the amount you were overpaid is recouped. We are sorry for the inconvenience - we would like to work with you to take care of your debt. Please call our office at 1-800-827-0648 from 6:30 a.m. to 6 p.m. CT Monday through Friday, if you need help. Visit www.va.gov/debtman for Saturday availability. If you have a question about where the debt came from or believe your benefit rate is incorrect, please call 1-888-442-4551 for education benefits or 1-800-827-1000 for other VA benefits. Even if newly submitted information may change your benefit rate, you still must choose from an option below to resolve the debt.

WHAT ARE YOUR OPTIONS?
We plan to withhold your full benefit amount until the debt is paid. You can also pay the debt in full within the next 30 days. Or, if you are financially unable to pay the full debt, you can request an extended monthly payment plan; request a waiver; or dispute the debt, if you feel it is not valid. Please see the back of this letter for more information. Interest may be charged at an annual rate of _____ percent and a monthly administrative collection fee of \$ _____ may also be charged. It is important to pay this debt within 30 days of the date of this letter or tell us which option you choose.

PLEASE TAKE ACTION: Pay the Debt
You can pay the full debt in one payment by:

- Paying online at www.pay.va.gov. Click "Pay Online." You can choose between paying from your bank account or by credit card. You will find instructions on the web page.
- Using Visa, MasterCard, American Express, Discover, or Western Union "Quick Collect." For information about how to pay by credit card or Western Union, please call us at 1-800-827-0648.
- Sending a check or money order made out to "U.S. Department of Veterans Affairs." Please write your VA file number or Social Security number on the check. Please fill out the remittance form included with this letter and mail it, with your check or money order, in the return envelope.

FOR PROPER CREDIT TO YOUR ACCOUNT, PLEASE DETACH AND RETURN WITH YOUR PAYMENT



Department of Veterans Affairs

PAYMENT REMITTANCE

* FILE NO.	▶		AMOUNT ENCLOSED	ENTER YOUR CURRENT ADDRESS BELOW ONLY IF THE ONE ABOVE IS INCORRECT. PLEASE INCLUDE YOUR ZIP CODE.
PAYEE NO.	▶		\$	
PERSON ENTITLED	▶		YOUR TELEPHONE NO. (Include Area Code)	
DEDUCTION CODE	▶			

* Please include this number on your check or money order.

FL 4-670a, JAN 2019



DEPARTMENT OF VETERANS AFFAIRS
Debt Management Center
Bishop Henry Whipple Federal Building
P.O. Box 11930
St. Paul, MN 55111-0930

100 Letter- 1st NOI
No benefits

File Number:
Payee Number:
Person Entitled:
Deduction Code:
Questions? <https://irs.custhelp.va.gov/app/ask/>
(Please provide the information above on any IRS correspondence)

The Department of Veterans Affairs recently sent you a letter explaining that your entitlement to benefits had changed. As a result, you were paid \$ more than you were entitled to receive.

We are sorry for the inconvenience - we would like to work with you to take care of your debt. Please call our office at 1-800-827-0648 from 6:30 a.m. to 6 p.m. CT Monday through Friday, if you need help. Visit www.va.gov/debtman for Saturday availability.

WHAT ARE YOUR OPTIONS?

Please pay the debt in full within the next 30 days. Or, if you are financially unable to pay the full debt, you can request an extended monthly payment plan; request a waiver; or dispute the debt, if you feel it is not valid. Please see the back of this letter for more information about how to do that.

- Debts paid in monthly installments may be charged interest at an annual rate of percent and a monthly administrative collection fee of \$. To avoid these charges, you must pay the debt within thirty days from the date of this letter.

If you have a question about where the debt came from or believe your benefit rate is incorrect, please call 1-888-442-4551 for education benefits or 1-800-827-1000 for other VA benefits. Even if newly submitted information may change your benefit rate, you still must choose from an option below to resolve the debt.

PLEASE TAKE ACTION: Pay the Debt

You can pay the full debt in one payment by:

- Paying online at www.pay.va.gov. Click "Pay Online." You can choose between paying from your bank account or by credit card. You will find instructions on the web page.
- Using Visa, MasterCard, American Express, Discover, or Western Union "Quick Collect." For information about how to pay by credit card or Western Union, please call us at 1-800-827-0648.
- Sending a check or money order made out to "U.S. Department of Veterans Affairs." Please write your VA file number or Social Security number on the check. Please fill out the remittance form included with this letter and mail it, with your check or money order, in the return envelope.

It is important to pay this debt within 30 days of the date of this letter or tell us which option you choose.

FOR PROPER CREDIT TO YOUR ACCOUNT, PLEASE DETACH AND RETURN WITH YOUR PAYMENT



Department of Veterans Affairs

PAYMENT REMITTANCE

* FILE NO.	▶	AMOUNT OWED	ENTER YOUR CURRENT ADDRESS BELOW ONLY IF THE ONE ABOVE IS INCORRECT. PLEASE INCLUDE YOUR ZIP CODE.
PAYEE NO.	▶	\$	
PERSON ENTITLED	▶	YOUR TELEPHONE NO. (Include Area Code)	
DEDUCTION CODE	▶		

* Please include this number on your check or money order.

FD-4413 JAN 2018

Department of Veterans Affairs
Notice of Indebtedness (NOI)

February 2021
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DEPARTMENT OF VETERANS AFFAIRS
Debt Management Center
Bishop Henry Whipple Federal Building
P.O. Box 11930
St. Paul, MN 55111-0930

102 Letter- 1st NOI
Special Payment

AUGUST 3, 1991

ZIP CODE ON THIS
TRX WILL
SPECIAL HANDLE LTR
999993456

File Number: 20000050
Payee Number: 00
Person Entitled: SPECRE
Deduction Code: 42
E-Mail Address: dmc.ops@va.gov

The Department of Veterans Affairs paid you an education special payment of \$ 1,700.00 to which you are not entitled since you are not attending school. If our records are incorrect and you are enrolled in a VA approved program, please contact your regional office immediately.

WHAT ARE YOUR OPTIONS?

- You can pay the debt in full, by check or money order. Payment instructions are on the back of this letter. We also accept VISA, MasterCard, American Express, Discover, and Western Union "Quick Collect". Please call our toll-free number for more information.
- If you cannot make payment in full, we will work with you to establish a monthly payment schedule. Debts paid in monthly installments may be charged interest at an annual rate of 15.05 percent and a monthly administrative collection fee of \$ 1.00 . To avoid these charges, you must pay the debt within thirty days from the date of this letter.

WHAT ARE YOUR RIGHTS?

You have the right to dispute the debt and the right to request waiver. If you request waiver, you also have the right to request an oral hearing. Information regarding these options is on the enclosed document entitled, Notice of Rights and Obligations. Read it carefully.

WHERE DO YOU CALL IF YOU HAVE QUESTIONS?

You can contact this office by calling toll-free, 1-800-827-0648. Our office hours are 7:30 AM to 6:00 PM Central Time. Your call may be monitored to ensure quality information.

FOR PROPER CREDIT TO YOUR ACCOUNT, PLEASE DETACH AND RETURN WITH YOUR PAYMENT

Department of Veterans Affairs	1991215	PAYMENT REMITTANCE
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H20000050004219160503180527 H20000050 0042 19160503180527 0170000 4

* FILE NO.	20000050	AMOUNT ENCLOSED	ENTER YOUR CURRENT ADDRESS BELOW ONLY IF THE ONE ABOVE IS INCORRECT. PLEASE INCLUDE YOUR ZIP CODE.
PAYEE NO.	00	\$	
PERSON ENTITLED	SPECRE	YOUR TELEPHONE NO. (Include Area Code)	
DEDUCTION CODE	42		
* Please include this number on your check or money order.			

FL 4-419, OCT 2010



DEPARTMENT OF VETERANS AFFAIRS
Debt Management Center
Bishop Henry Whipple Federal Building
P.O. Box 11930
St. Paul, MN 55111-0930

140 Letter-
Change in
benefit status

File Number:
Payee Number:
Person Entitled:
Deduction Code:
E-Mail Address: dmc.ops@va.gov

Reference is made to your indebtedness in the amount
of \$. This amount consists of \$ principal, \$
interest, and \$ administrative cost of collection fees.

Our records indicate that you are now receiving VA benefits. As you were advised
when you agreed to the repayment plan, these benefits will be withheld in full and
applied to your debt until the indebtedness is cleared.

If you can provide ample justification as to why this withholding will cause you
undue hardship, you may contact this office for the purpose of working out some
other satisfactory arrangement.

You will no longer need to make payments in accordance with your repayment plan.
However, you may have to submit a new repayment plan if your benefits are terminated
before your indebtedness is cleared. You may contact us at the following toll-free
telephone number (1-800-827-0648) if you have any questions concerning this letter.

Chief, Operations Division

FL 4-472a
SEP 2007

Department of Veterans Affairs
Notice of Indebtedness (NOI)

February 2021
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DEPARTMENT OF VETERANS AFFAIRS
Debt Management Center
Bishop Henry Whipple Federal Building
P.O. Box 11930
St. Paul, MN 55111-0930

109 Letter- 2nd NOI
Addition of interest and
admin fees

•
SECOND
LETTER
50000
DOLLAR
ST
MPLS 55455

File Number: 03345694
Payee Number: 10
Person Entitled: SECOND
Deduction Code: 41
E-Mail Address: dmc.ops@va.gov

Public Law 96-466 which was enacted into law on October 17, 1980, requires that we charge interest and administrative costs of collection on debts owed the Department of Veterans Affairs. The law states that the rate of interest to be charged shall be based on the rate of interest paid by the U.S. for its borrowing and shall be determined by the Secretary of Veterans Affairs.

You are hereby notified that, effective with the date of this letter, simple interest at an annual rate of 15.05% shall accrue on the unpaid balance of your debt, until paid in full.

You may avoid interest cost by remitting \$ 798.37 in full payment of the debt to reach this office within 30 days from the date of this letter. If you are unable to pay in full within 30 days, you should submit a partial payment immediately, together with a proposed repayment plan supported by a completed Financial Status Report which is enclosed for your use. Unless a partial payment and an acceptable repayment plan are received within 30 days from the date of this letter, a monthly administrative cost of collection fee of \$ 1.00 (subject to change annually) will be added to your debt for each month it remains unpaid. Should it be necessary to obtain a credit report, incur locator expense or refer your account to a consumer reporting agency, the cost for these items will also be assessed against you. Legal action may also be taken.

If at any time your installment payments are not received by the due date, administrative costs as described above will be added to your debt as of that due date. Thereafter, payments received will be applied first to interest, administrative costs and any remainder to principal.

Your debt may also be reported to a consumer reporting agency. If you are delinquent, your ability to obtain credit may be adversely affected.

It is to your advantage to pay your debt in full within 30 days from the date of this letter. Your early response is expected. You may contact us at the following toll-free telephone number (1-800-827-0648) if you have any questions concerning this letter.

Chief, Operations Division

FOR PROPER CREDIT TO YOUR ACCOUNT, PLEASE DETACH AND RETURN WITH YOUR PAYMENT



Department of Veterans Affairs

1991215

403345694104119050315140427 403345694 1041 19050315140427 0079837 8

* FILE NO.	▶ 03345694	AMOUNT ENCLOSED	ENTER YOUR CURRENT ADDRESS BELOW ONLY IF THE ONE ABOVE IS INCORRECT. PLEASE INCLUDE YOUR ZIP CODE.
PAYEE NO.	▶ 10	\$	
PERSON ENTITLED	▶ SECOND	YOUR TELEPHONE NO. (Include Area Code)	
DEDUCTION CODE	▶ 41		
* Please include this number on your check or money order.			

FL 4-439a(NR), SEP 2007

Department of Veterans Affairs
Notice of Indebtedness (NOI)

February 2021
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DEPARTMENT OF VETERANS AFFAIRS
Debt Management Center
Bishop Henry Whipple Federal Building
P.O. Box 11930
St. Paul, MN 55111-0930

072 Letter-
Collection suspended
for deployment

G HINES
PEORIA
ILL. 63416

File Number: 123456680
Payee Number: 00
Person Entitled: GHINES
Deduction Code: 41
E-Mail Address: dmc.ops@va.gov

The VA Debt Management Center (DMC) suspended collection of your indebtedness of \$ 96.07 when we were informed of your deployment in support of Operation Iraqi Freedom or Operation Enduring Freedom. Collection action was suspended for the expected period of your deployment. Collection action must resume unless your deployment has been extended. If your deployment has been extended, and you wish us to continue the suspension of collection, we will need copies of your current deployment orders at your earliest convenience.

If you have returned from deployment, you must make arrangements to satisfy your indebtedness with VA. You can pay the debt in full, by check or money order. Payment instructions are on the back of this letter. We also accept major credit cards, debit cards, electronic funds transfer and Western Union Quick Collect. Please call our toll-free number (below) for more information or go to <https://www.pay.va.gov/> where you can pay online. If you cannot make payment in full, we will work with you to establish a monthly payment schedule to clear the debt within a reasonable time frame.

You have the right to dispute the debt and the right to request waiver. If you request waiver, you also have the right to request an oral hearing. Information regarding these options is on the enclosed document, entitled Notice of Rights and Obligations.

We must hear from you within the next 30 days or collection action will resume. You can contact this office by calling toll-free, 1-800-827-0648. Our office hours are 7:30 AM to 6:00 PM Central Time. Your call may be monitored to ensure quality of information.

Chief, Operations Division

FOR PROPER CREDIT TO YOUR ACCOUNT, PLEASE DETACH AND RETURN WITH YOUR PAYMENT

Department of Veterans Affairs	1991215	PAYMENT REMITTANCE
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123456680004107080914051927 123456680 0041 07080914051927 0009607 4

* FILE NO.	▶ 123456680	AMOUNT ENCLOSED	ENTER YOUR CURRENT ADDRESS BELOW ONLY IF THE ONE ABOVE IS INCORRECT. PLEASE INCLUDE YOUR ZIP CODE.
PAYEE NO.	▶ 00	\$	
PERSON ENTITLED	▶ GHINES	YOUR TELEPHONE NO. (Include Area Code)	
DEDUCTION CODE	▶ 41		

* Please include this number on your check or money order.

FL 4-566A, OCT 2010